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**IRAN DEAL**

# Luxembourg 'not formally asked' to circumvent US sanctions on Iran

Ministers clarify that Luxembourg has not been formally asked to host Special Purpose Vehicle, want to preserve Iran deal for security, multilateral, business reasons

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YANNICK LAMBERT  
[\(/yannick-lambert\)](#) 21.11.2018



Catherine Margaret Ashton (left), vice president of the European Commission and Javad Mohammad Zarif (right), Iranian foreign minister

Photo: AFP/Dieter Nagl

Luxembourg ministers have clarified Luxembourg's positions with regards to the Iran deal and the alleged hosting of a Special Purpose Vehicle (SPV) to circumvent sanctions imposed on Iran by the US.

(<https://luxtimes.lu/world/35641-luxembourg-at-highest-risk-of-sanctions-us-ambassador>)

Three Luxembourg ministers – Etienne Schneider, minister of economy, Pierre Gramegna, minister of finance and Jean Asselborn, minister for foreign affairs – have responded to a parliamentary question by Alternative Democratic Reform Party (ADR) MP Fernand Kartheiser.

The question referenced articles by *Luxembourg Times* and *Lëtzebuurger Land* which mentioned rumours that Luxembourg is being considered as a host for the SPV, a mechanism that would enable EU countries to circumvent US sanctions on Iran and continue trading with it normally.

In his parliamentary question, Kartheiser asked, amongst other things, whether it is true that Luxembourg has been put under pressure by EU countries to host the SPV, and what the economic damage Luxembourg endures as a result of the US withdrawing from the deal.

*“Luxembourg has \$5.3 trillion in investment funds and would be at the highest risk of sanctions from the US. If Luxembourg were to host the SPV, it would undoubtedly be subject to the full load of sanctions from the US treasury*

— Randolph Evans, US ambassador to Luxembourg

Furthermore, he inquired how the Luxembourg government assesses the US' reasoning in pulling out of the deal, and whether Luxembourg – whose "most important ally" is the US – should follow the US' foreign policy towards Iran.

He also asked whether Luxembourg would be subject to sanctions, reprisals and retorsion by the US if it executes a EU foreign policy against that of the US.

The US embassy in Luxembourg stated it is strongly opposed to the country hosting the SPV and stressed that the US treasury would sanction the Grand Duchy.

"Luxembourg has \$5.3 trillion in investment funds and would be at the highest risk of sanctions from the US. If Luxembourg were to host the SPV, it would undoubtedly be subject to the full load of sanctions from the US treasury," the US ambassador said in a statement to *Luxembourg Times*.

## Government response

The government responded by saying that the EU is fully committed to maintaining the Joint Common Plan of Action (JCPOA), including its economic components, as long as Iran fulfills all the criteria agreed to.

"Luxembourg has engaged itself as a EU member in this and is also involved, at the EU level, in discussions to find ways to avoid suffering from US sanctions for European businesses that legitimately trade with Iran. We are engaged with our European partners to find common European solutions which are also vital to the European economy," the government stated.

"Concerning an SPV that could safeguard the legitimate trade between Europe and the US, it should be clarified that the Luxembourg government has not been formally asked to give its consent to agree to host the SPV. We also have not offered to host the SPV in Luxembourg".



US president Donald Trump signed a document reinstating sanctions against Iran after announcing the US withdrawal from the Iran Nuclear deal

Photo:

AFP/Paul Loeb

The ministers also emphasised that a mechanism to answer US sanctions should not be addressed at the national level but at the European one.

"As the foreign minister [Jean Asselborn] underlined at the last EU Foreign Affairs Council on 19 November in Brussels, such an instrument [SPV] could only function if it is enshrined in European law. It is a European engagement, not a national one. As a consequence, such an SPV must be based on European law".

They furthermore said that the economic impact on Luxembourg of US sanctions on Iran is "difficult to assess at the moment."

They did not directly answer what kind of repercussions are to be expected by the US if Luxembourg is involved in executing a EU foreign policy opposed to that of the US.

# European security

The response also states that Luxembourg "does not recognise US sanctions."

"The reasons the US pulled out of the nuclear agreement and to reintroduce sanctions against Iran had mostly to do with the regional politics of Iran and the development of ballistic missiles by Iran," it added.

"Luxembourg shares the US' concerns about Iran's regional politics and missiles."

"As the International Atomic Energy Agency (IAEA) has already affirmed in 13 reports, Iran is sticking to its nuclear promises".

*“As the International Atomic Energy Agency (IAEA) has already affirmed in 13 reports, Iran is sticking to its nuclear promises*

— Jean Asselborn, Pierre Gramegna, Etienne Schneider

Keeping the nuclear agreement would furthermore maintain Europe's security. The three ministers emphasise that Europe is closer to Iran geographically than the US and would be as threatened by a nuclear Iran as Israel.

Luxembourg and the EU are interested in keeping the deal alive

"first and foremost from a security perspective and not from a perspective of economic advantage".

Moreover, they defend Luxembourg's and the EU's stance not as a policy directed against the US but as a specifically European approach that is deemed to help multilateralism, European security and European business.





Photo: Shutterstock

"Luxembourg positions itself in favour of preserving the nuclear agreement with Iran (...) without putting the important transatlantic alliance at risk. This is not easy, but it is our duty to fully back the European position as responsible members of the EU."

After foiled allegedly Iran-backed terrorist plots in France and Denmark, the EU now cautiously seems to support sanctions on Iran as well, (<https://www.reuters.com/article/us-iran-nuclear-eu/eu-open-to-iran-sanctions-after-foiled-france-denmark-plots-diplomats-idUSKCN1NO1OQ>) however.

## SPV

The SPV has been designed as a response to the US pulling out of the Iran deal called Joint Comprehensive Plan of Action (JPCOA), which was concluded in 2015, and imposing sanctions on Iran and potentially those who trade with it.

Further signatories of the JPCOA are China, France, Germany, European Union, Iran, Russia, and the UK. The US pulled out of the deal on 8 May and has since reinstated sanctions on the Islamic Republic and countries trading with it, but has given a few waivers to countries such as Greece, Turkey and Japan.

The SPV would circumvent the global financial system dominated by the US by creating a direct line between European nations and Iran, function as a clearing house enabling Europeans to buy Iranian oil and gas, and pay for it with goods and services without having recourse to the dollar, which is the main global currency for trading in oil.

The establishment of the SPV within Europe would help to maintain the economic benefits of the Iran deal concluded between Iran, the US and European nations in 2015.

Iran has repeatedly stated it might pull out of the JPCOA if the economic benefits arising from it are not preserved.

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